

Message Text

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ACTION COME-00

INFO OCT-01 EUR-08 ISO-00 EB-04 AGR-05 TRSE-00 OMB-01

CIEP-01 STR-01 CIAE-00 INR-05 NSAE-00 RSC-01 SWF-01

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FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 3116

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E.O. 11652 N/A

TAGS: ETRD, EFTA, EEC, SW

SUBJECT: EC/EFTA RULES OF ORIGIN -- SWEDISH FIRM JUNEX

REF: A. STATE 221851

B. STOCKHOLM 1416 OF APRIL 27, 1973

1. SUMMARY. JUNEX DID STOP PURCHASE OF U.S. LIGHTWEIGHT CLOTH. JUNEX SOURCE CLAIMS, HOWEVER, THIS DECISION WAS DUE TO CHANGE OF PRODUCTION RATHER THAN RULES OF ORIGIN (R/O) DIFFICULTIES. DETAILS FOLLOW. END SUMMARY

2. ACCORDING TO PURCHASING MANAGER STIG KARLSTEN OF JUNEX, HUSQVARNA, HIS FIRM HAD TRADITIONALLY PURCHASED ABOUT 10,000 YARDS ANNUALLY OF LIGHTWEIGHT CLOTH (BTN 56.07.209) FROM GALEY AND LORD, A SUBSIDIARY OF BURLINGTON INDUSTRIES, INC., NEW YORK, AND PAID ABOUT \$1.25 A YARD. JUNEX HOWEVER RAN INTO FINANCIAL DIFFICULTIES IN 1971 AND SUBSEQUENTLY WAS REORGANIZED INTO TWO GROUPS OF PLANTS. JUNEX, HUSQVARNA AB, APPROACHED BY EMBASSY IN 1973 FOR POSSIBLE R/O DIFFICULTIES, WAS THEN MANUFACTURING LIGHTWEIGHT RECREATIONAL JACKETS. SUBSEQUENTLY, THIS LINE OF MANUFACTURE WAS DROPPED IN FAVOR OF TOPCOATS, RESULTING IN DISCONTINUANCE OF U.S.

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PURCHASES. IN RESPONSE QUESTIONS, SOURCE SAID CHANGE OF

PRODUCTION WAS NOT BECAUSE OF R/O DIFFICULTIES. CURRENT CLOTH PURCHASES FOR NEW LINE OF PRODUCTION COME FROM NON-US SOURCES. KARLSTEN EXPLAINED THAT NO U.S. CLOTH WAS BEING PURCHASED NOW BECAUSE THE FIRM'S U.S. TRADE CONTACTS HAVE BEEN UNABLE TO SUPPLY 60-INCH WIDTH MATERIAL REQUIRED FOR TOPCOATS. U.S. FIRMS HAVE OFFERED ONLY 45-INCH WIDTH. SOURCE DID STATE, HOWEVER, THAT PRESENT PURCHASES FROM THIRD COUNTRIES ARE INFLUENCED BY POTENTIAL R/O PROBLEMS BUT HE DID NOT SUPPLY DETAILS.

3. IN EMBASSY'S VIEW, ABOVE CASE DOES NOT PROVIDE A CLEAR INSTANCE OF DIVERSION OF TRADE CAUSED BY NEW R/O REQUIREMENTS WHICH COULD BE PRESENTED TO GATT.
STRAUSZ-HUPE

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